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C O N F I D E N T I A L LA PAZ 002197

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E.O. 12958: DECL: 08/14/2016  
TAGS: [EAID](#) [ECON](#) [BL](#)  
SUBJECT: IDB'S FUTURE DIRECTION

REF: A. LA PAZ 1660

[1](#)B. LA PAZ 937

Classified By: Amb. David N. Greenlee for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: The Inter-American Development Bank (IDB) Resident Representative told Econoff on August 11 that a donor coordination meeting to be held in Bolivia in October would likely fail to meet the GOB's anticipated funding requirements. The GOB's National Development Plan relies heavily on anticipated donor funds, and a poor showing in October would be a set-back for the government, which has already angered some donors due to its educational policies and alignment with Cuba. The GOB prefers Cuban and Venezuelan aid over other assistance because it comes without accountability requirements. Venezuela and Cuba also disburse rapidly, according to the IDB representative. The IDB will likely move away from funding education and health programs and is considering implementing direct subsidies to poor families. End summary.

#### Donor Coordination Meeting

[1](#)2. (SBU) Inter-American Development Bank (IDB) Resident Representative Joel Branski told Econoff on August 11 that the GOB's National Development Plan (ref A) would be put to the test at an important donor coordination meeting in Santa Cruz in October. He explained that the government needed more than USD 12 billion to fund its five-year plan and that it was expecting to get about half of the needed investment from donors. Branski was not sure how receptive donors would be to making large commitments without the macroeconomic framework of an International Monetary Fund (IMF) agreement. (Note: Bolivia's IMF agreement ended in March, and the GOB does not want a new one (ref B). End note.) Without donor support, the GOB would not be able to implement its economic development vision. The October meeting will be followed up by a donor consultative group meeting in Paris in February [1](#)2007.

Cuban and Venezuelan Aid

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¶3. (C) Branski said that the Scandinavian countries were angry with Bolivia, and particularly the Ministry of Education, because of its educational policies. He explained that the Scandinavians have been donating money for education in Bolivia for years, but now the GOB has told them that they must provide support within the rubric of Cuban cooperation. Branski said the Scandinavians were not keen to "buy TVs and literacy videos and hand them out in rural areas", in line with the Cuban method. He argued that Cuban and Venezuelan aid was so popular with the GOB because it was given "overnight", because those two governments were not bound by democratic processes and accountability concerns, like the IDB and other donors.

#### IDB's Future Direction

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¶4. (SBU) Partially in response to the GOB's education policies, the IDB plans to stop funding education programs, and possibly health programs as well. The IDB will continue to fund road projects and is considering implementing direct subsidy programs. These programs would provide money or food stamps to poor families who send their children to school or engage in other positive behavior and would take the IDB about one year to implement.

¶5. (C) Comment: We expect that the donor coordination meeting will serve as a reality check for the GOB. We anticipate that the government will not receive anywhere near the amount of aid commitments that it would need to enact its development agenda. Several donors have complained that the GOB's plan lacks concrete details about how it would be implemented. End comment.  
GREENLEE